

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

August 23, 2002

RH0202155

TEXT OF AMENDED PROPOSED REGULATIONS

**Title 10 Chapter 5 Subchapter 4.10 Rates for Credit Property Insurance and
Credit Unemployment Insurance**

The Department of Insurance has illustrated changes to the original text in the following manner: regulation language originally proposed in underlined; deletions from the language originally proposed are shown in a strikeout; and additions to the language originally proposed are double underlined.

Article 1. Scope.

Section 2670.1. Authority.

This Subchapter is promulgated pursuant to the authority granted to the Insurance Commissioner under the provisions of Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. Garamendi, 8 Cal.4th 216 (1994).

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.2. Purpose.

The purpose of this Subchapter is to implement the provisions of Insurance Code Section 779.36 which apply to credit property insurance, joint credit property insurance, credit unemployment insurance and joint credit unemployment insurance.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Section 779.36 of the California Insurance Code.

Section 2670.3. Applicability.

This Subchapter applies to all credit property insurance, joint credit property insurance, credit unemployment insurance, and joint credit unemployment insurance on risks or on operations in this state.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1851, 1861.01, 1861.05, and 1861.13 of the California Insurance Code.

Article 2. Definitions.

Section 2670.4. Definitions Applicable to this Subchapter.

(a) "Credit property insurance" means insurance that provides coverage (generally coverage to repair or replace) on personal property pledged or offered as collateral for securing a personal or consumer loan, or personal property purchased under an installment sales agreement or through a credit transaction. Credit property insurance provides coverage for loss or damage to personal property caused by the perils set forth in the credit property insurance policy. Credit property insurance does not include creditor-placed insurance which is "force-placed" by a lender or creditor in the event the borrower or debtor fails to maintain insurance as required under his or her agreement with the lender or creditor. Credit property insurance does not include insurance which covers physical damage to an automobile or other motor vehicle, watercraft, or aircraft as a part of or in conjunction with a liability insurance policy.

(b) "Joint credit property insurance" means credit property insurance which insures two persons who are jointly liable to a lender or creditor. For purposes of these regulations, references to "credit property insurance" shall encompass both credit property insurance and joint credit property insurance.

(c) "Credit unemployment insurance" is insurance which provides coverage for periodic payments or payment of an outstanding balance on a specific loan or other credit transaction while the debtor is involuntarily unemployed, as defined in the policy.

(d) "Joint credit unemployment insurance" means credit unemployment insurance which insures two persons who are jointly liable to a lender or creditor. For purposes of these regulations, references to "credit unemployment insurance" shall encompass both credit unemployment insurance and joint credit unemployment insurance.

(e) "Closed end" plan of indebtedness is defined in CCR Section 2248.31(c).

(f) "Earned premium" means gross premium earned, including policy and membership fees, less return premium and premium on policies not taken.

(g) "Experience group" means the experience under a program of insurance of one creditor or more than one creditor. For purposes of defining and using the term "experience group," the following are separate programs of insurance: property; unemployment; open end or closed end; single premium or monthly premium; elimination period for unemployment ; and retroactive or nonretroactive for unemployment. The insurance programs of each creditor in a multiple creditor group must be reasonably similar and each creditor's program must contain the same type of coverages and exclusions. If an experience group has experience in more than this State, an insurer may use only the experience of the experience group in California to rate the group or, with the approval of the Commissioner, an insurer may use the multi-state experience of the experience group for this purpose if it is more credible than the California experience and is generated by the same or similar programs of insurance and is adjusted to account for differences in premium rates. Insurers using multiple-creditor groups for the purpose of

determining rates shall establish written standards for the inclusion of individual creditor-groups within such multiple creditor groups.

(h) "Experience period" means the most recent period of time for which experience is reported, but not for a period longer than three full years. If an experience group develops a Credibility Factor of 1 from TABLE 1 (the "Credibility Table" in Section 2670.9) in less than three years, the experience period for that case will be the number of full years needed to attain full credibility. Experience incurred in the period immediately preceding the effective date of this regulation may be used to the extent necessary to fill out the experience period. If a new experience group of an insurer has experience in this State with a prior insurer, the new insurer must use the most recent experience of the experience group with the prior insurer to the extent necessary to fill out an experience period. Other data or projections may be used if the Commissioner finds them to be more credible.

(i) "Reported Claim Count", as used in TABLE 1 (Section 2670.9), means the number of claims reported for the experience group during the experience period. This means the total number of claims reported during the experience period, whether paid or in the process of payment excluding claims without payment.

(j) "Open end" plan of indebtedness is defined in CCR Section 2248.31(l).

(k) "Prima facie rate" means the maximum rate which reasonably can be expected to provide the presumptive loss ratio referred to in Ins. Code Sec. 779.36 and which is not excessive, inadequate, unfairly discriminatory or otherwise in violation of Chapter 9 of the Insurance Code

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Article 3. Regulation of Rates.

Section 2670.5. Presumptive Loss Ratios and Prima Facie Rates, Generally.

For the purpose of implementing Insurance Code Section 779.36, the presumptive loss ratio for credit property insurance coverage or for credit unemployment insurance coverage shall be 60 percent, computed by dividing incurred losses by earned premiums, using calendar year data. For the purpose of Insurance Code Section 1861.05, it shall be presumed that a rate is excessive if incurred losses cannot be reasonably expected to equal 60 percent of the earned premiums for each credit property insurance experience group or for each credit unemployment insurance experience group. These regulations contain prima facie rates based on the benchmark programs set forth in this Subchapter. An insurer may use a program which is different from a benchmark program provided the insurer shows that the proposed rate for the program is expected to produce a loss ratio of at least 60%.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.6. Prima Facie Rates for Benchmark Programs.

The prima facie rates for the benchmark programs set forth in Sections 2670.12 through Section 2670.20 of these regulations are as follows:

(a) The prima facie rate for benchmark number one, Dual Interest Credit Property Insurance on Open End Plan of Indebtedness, is ~~4.7~~ 1.6 cents per \$100.00 of the monthly outstanding balance.

(b) The prima facie rate for benchmark number two, Dual Interest Credit Property Insurance on a Closed End Plan of Indebtedness, is 93 cents per \$100.00 of the unpaid balance due at the time coverage attaches.

(c) The prima facie rate for benchmark number three, Dual Interest Credit Property Insurance on a Closed End Loan Secured by Personal Property, Invoiced Monthly, is 30 cents per \$100.00 of the unpaid balance due at the time coverage attaches.

(f) The prima facie rate for benchmark number six, 30-Day Retroactive Credit Unemployment Insurance on an Open End Plan of Indebtedness, and Paying Minimum Monthly Payment, is ~~4.8~~ 7.2 cents per \$100.00 of the monthly outstanding balance.

(g) The prima facie rate for benchmark number seven, 30-Day Non-Retroactive Credit Unemployment Insurance on an Open End Plan of Indebtedness, and Paying Minimum Monthly Payment for Six Months, is ~~4.3~~ 1.9 cents per \$100.00 of the monthly outstanding balance.

(h) The prima facie rate for benchmark number eight, 30-Day Retroactive Credit Unemployment Insurance on an Installment Loan Plan of Indebtedness, paying Monthly Payment on Installment Loan Payments with a loan term of 25 months or less, is ~~\$1.08~~ \$1.58 per \$100.00 of the unpaid balance due at the time coverage attaches. The prima facie rate for benchmark number eight, 30-Day Retroactive Credit Unemployment Insurance on an Installment Loan Plan of Indebtedness, paying Monthly Payment on Installment Loan with a loan term of more than 25 months, is ~~\$1.32~~ \$1.93 per \$100.00 of the unpaid balance due at the time coverage attaches.

(i) The prima facie rate for benchmark number nine, 30-Day Non-Retroactive Credit Unemployment Insurance on an Open End Plan of Indebtedness, and Paying Outstanding Balance Up To Policy Limit, is ~~41.3 cents~~ 16.6 cents per \$100.00 of the monthly outstanding balance.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Section 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.7. Calculation of the Maximum Permitted Premium.

(a) Find the Credibility Factor ("Z") from TABLE 1 (Section 2670.9) for the experience group. Where actual loss ratios are less than 45%, use the premium earned for the experience group during the experience period; otherwise, use the Reported Claims Count. If either of these measures cannot be directly determined, the Commissioner may accept reasonable approximations of them.

(b) Calculate the credibility adjusted loss ratio ("CLR") for the experience group using the following formula, where ALR is the actual loss ratio for the experience group for the experience period adjusted to the prima facie rate level for the initial annual review and adjusted to the current effective rate level for subsequent annual reviews.

For credit unemployment insurance, the actual loss ratio for each year of the experience period shall

be multiplied by the ratio of the prospective unemployment rate minus 3.0% to the historical unemployment rate for that year minus 3.0%. Each year the Commissioner shall determine the prospective and historical unemployment rates to be used.

$$\text{CLR} = Z (\text{ALR}) + .60(1-Z)$$

(c) Calculate the maximum permitted premium rate ("MaxPP") using the following formulas.

For the initial review:

$$\text{MaxPP} = \text{CLR} \times \text{Prima Facie Rate} / .6$$

For subsequent reviews:

$$\text{MaxPP} = \text{CLR} \times \text{Current Approved Rate} / .6$$

Rates shall be calculated and applied separately for property and unemployment.

(d) Credibility adjusted loss ratios and maximum permitted premium rates shall be redetermined annually.

(e) For the initial review, rates for programs whose provisions differ significantly from the benchmarks shall be set so that the loss ratio shall not be less than .60, and shall be approved by the Commissioner before their use. For subsequent reviews, the maximum permitted premium rate shall be calculated as above.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.8. Rate Changes.

(a) An insurer shall submit, for the Commissioner's approval, a proposed rate decrease for an experience group subject to this Subchapter within 180 days after the end of an experience period during which the credibility adjusted loss ratio for the group was less than .60.

(b) An insurer may submit, for the Commissioner's approval, a proposed rate increase for an experience group subject to this Subchapter after the end of an experience period during which the credibility adjusted loss ratio for the group exceeded .60.

(c) The proposed rate shall not exceed the maximum permitted premium rate.

(d) The Commissioner shall disapprove submission of a proposed rate if it is not demonstrated to him or her that the rate has been determined in accordance with applicable statutes and regulations. The Commissioner may approve a rate higher than the maximum permitted premium rate if it is demonstrated to his or her satisfaction that the maximum permitted premium rate provides inadequate allowances for acquisition costs, including commissions and other forms of compensation, expenses, profits, loss ratios, reserves, and other reasonable actuarial considerations.

(e) An approved rate decrease shall become effective for the experience group within 90 days of the Commissioner's approval. The Commissioner may approve a later effective date if it is demonstrated to him or her that the approved rate cannot reasonably be implemented within 90 days

of his or her approval.

(f) An approved rate increase may become effective at any time after the Commissioner's approval or upon the 120th day after the submission of such proposal if it has not been disapproved by that day.

(g) An insurer assuming the business of some or all of the creditors comprising an experience group shall not use rates exceeding the rates of the prior insurer, except as provided in this Subchapter.

(h) An insurer may transfer a creditor from an experience group with a rate lower than the prima facie rate to another experience group only if the transfer would not result in a higher rate for the remainder of the former group.

(i) No insurer shall transfer a creditor group it already insures to an experience group with a rate higher than the prima facie rate. An insurer may assign a newly insured creditor group subject to a rate higher than the prima facie rate under its prior insurer into an experience group subject to a rate higher than the prima facie rate only if the assignment would not result in a higher rate for the newly-insured creditor group or the existing experience group.

(j) The Commissioner may consider proposals for rates in excess of the maximum permitted premium rates for specific creditors, creditor groups or products, if it is demonstrated to him or her that the maximum permitted premium rates provide inadequate allowances for acquisition costs, including commissions and other forms of compensation, expenses, profits, loss ratios, reserves, and other reasonable actuarial considerations, given the circumstances of the particular rate application.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

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Section 2670.9. Table.

TABLE 1
CREDIBILITY TABLE

<u>Earned Premium</u>	<u>Reported Claim Count</u>	<u>Credibility Factor ("Z")</u>
<u>1</u>	<u>1</u>	<u>.00</u>
<u>56,000</u>	<u>17</u>	<u>.25</u>
<u>81,000</u>	<u>24</u>	<u>.30</u>
<u>111,000</u>	<u>33</u>	<u>.35</u>
<u>145,000</u>	<u>43</u>	<u>.40</u>
<u>183,000</u>	<u>55</u>	<u>.45</u>
<u>226,000</u>	<u>68</u>	<u>.50</u>
<u>273,000</u>	<u>82</u>	<u>.55</u>
<u>325,000</u>	<u>98</u>	<u>.60</u>
<u>382,000</u>	<u>114</u>	<u>.65</u>
<u>443,000</u>	<u>133</u>	<u>.70</u>
<u>508,000</u>	<u>152</u>	<u>.75</u>
<u>578,000</u>	<u>173</u>	<u>.80</u>
<u>653,000</u>	<u>196</u>	<u>.85</u>
<u>732,000</u>	<u>220</u>	<u>.90</u>
<u>815,000</u>	<u>245</u>	<u>.95</u>
<u>903,000</u>	<u>271</u>	<u>1.00</u>

The above integers represent the lower end of the bracket for each "Z" factor. The upper end is 1 less than the lower end for the next higher "Z" factor.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.10. Certificate of Insurance; Filing Requirements.

All coverages, exclusions, and limits of liability applicable to the certificate of insurance must be set forth in the certificate of insurance issued to the certificate holder. The coverages, exclusions, and limits of liability in the master policy which pertain to the certificate of insurance issued under the master policy must conform to the coverages, exclusions, and limits of liability set forth in the certificate of insurance issued under the master policy. Every rate filing subject to this Subchapter shall include copies of the certificate of insurance and master policy used in the program for which the rate filing is made.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.11. Cancellation of Coverage and Return Premium.

This section applies to all credit property insurance and credit unemployment insurance coverages except single interest credit property insurance coverage on closed end plans of indebtedness. In the event the certificate holder cancels coverage, any return premium shall be computed on a prorata basis if the premium is paid monthly, and by the Rule of 78's if the premium is a single payment premium and the coverage provided pays off the entire balance of the certificate holder's indebtedness.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Sections 481(a), 779.36, and 1861.05 of the California Insurance Code.

Article 4. Benchmark Programs for Credit Property Insurance.

Section 2670.12. Benchmark Number One: Provisions for Dual Interest Credit Property Insurance on an Open End Plan of Indebtedness.

(a) When Coverage Is In Effect.

Coverage is effective on the date the certificate of insurance holder's (the "certificate holder's") account has a balance, and continues for as long as there is an open balance in the account(s). Coverage ends on the date the certificate holder's account does not reflect an open balance, and is automatically reinstated when there is an open balance. Coverage will continue for up to 36 months from the date the item of personal property was financed. Coverage covers the insured property anywhere in the world.

(b) Coverage Provided.

The insurance covers the interest of the master policyholder and the certificate holder in personal property purchased by the certificate holder and financed under an open end plan of indebtedness. In the event of a loss to a pair, set, or parts, the insurer will provide the following coverage: (1) For any article(s) that is a part of a pair or set: the insurer will pay a reasonable and fair proportion of the total value of the pair or set, with consideration given to the importance of such article(s). In no event will such loss mean total loss of the pair or set; (2) For any part of property which consists of several parts when complete: the insurer will be liable only for the value of the part lost or damaged.

(c) Perils Insured.

The insurance provides coverage for direct and accidental loss or damage to insured personal property by fire; smoke; lightning; windstorm; cyclone; tornado; flood; hail; earthquake; explosion; riot; riot attending a strike; civil commotion; marine perils while on ferries and/or in cars or transfers in connection with land conveyances; aircraft; vehicles; collision; vandalism and malicious mischief; and burglary (of which there must be visible evidence of forced entry).

(d) Exclusions.

Coverage will not apply to purchases made while the certificate holder is receiving benefits under the certificate.

(e) Limit of Liability.

The insurance covers the interest of the master policy holder and the certificate holder up to the maximum(s) stated in the certificate of insurance. Coverage for any one account will be limited to the maximum amount per account as stated in the certificate of insurance. If the certificate holder has more than one account, the maximum limit stated in the certificate of insurance applies, and the total insurance provided under all of a certificate holder's accounts cannot exceed this amount. The insurer's limit of liability for loss is the cost to repair or replace the property insured at the time of the loss, not to exceed the following maximum limits: (1) for the first 60 days after enrollment for the insurance: an amount up to the highest balance in the certificate holder's open ended account during that 60-day period; and (2) after the first 60 days after enrollment for the insurance: an amount up to the highest balance on which a premium has been assessed during the 36 months before the date of loss. It is the insurer's option, after giving notice of its intention to do so within 60 days after the receipt of proof of loss to: (1) take all or any part of the property at the agreed or appraised value; or (2) repair, rebuild or replace the destroyed or damaged property with other of like kind and quality within a reasonable time.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th *Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.13. Benchmark Number Two: Provisions for Dual Interest Credit Property Insurance on a Closed End Plan of Indebtedness.

(a) When Coverage Is In Effect.

Coverage is effective at 12:01 a.m. on the effective date specified in the certificate. The insurance attaches from the time the personal property is purchased or encumbered until the termination of the master policy holder's financial interest therein. Coverage applies within the United States and Canada, during transportation or otherwise, while the property is in the custody of the seller for packing or awaiting shipment or for repair or adjustment, and while in the custody of the certificate holder.

(b) Coverage Provided.

The insurance covers the interests of the master policy holder and the certificate holder in personal property which is purchased by the certificate holder, in which the master policyholder has a financial interest, and which is financed under a closed end plan of indebtedness.

(c) Perils Insured.

The insurance provides coverage for direct loss or damage to insured personal property by fire and lightning; collision (the coming together of cars during coupling not to be deemed a collision), derailment or overturning of a vehicle, collapse of bridges, while being transported by land conveyances; marine perils while on ferries and/or in cars or transfers in connection with land conveyances; burglary from within a building or room (of which there must be signs of forcible entry); and vandalism and malicious mischief.. The insurance also provides extended coverage covering earthquake, windstorm, cyclone, tornado, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, smoke, flood rising waters, tidal wave, high water or

overflow, whether driven by wind or not, falling objects, collapse of building caused by weight of ice, snow, sleet or otherwise, rupture, cracking, burning or freezing of plumbing, heating or air-conditioning systems or domestic appliances, excluding domestic appliances for heating water for domestic consumption.

(d) Exclusions.

Loss or damage to goods by decay, wet or dampness, or by being marred, scratched, spotted, discolored, moldy, rusty, frosted, rotted, steamed or changed in flavor; unless the same is the direct result of a peril insured against; mechanical breakdown; against loss or damage due to short-circuiting, blowout or other electrical disturbances within the article(s) insured; loss or damage caused by the neglect of the master policyholder or certificate holder to use all reasonable means to save and preserve the property at and after any disaster insured against, or when the property is endangered by fire in neighboring premises; loss or damage caused by or resulting from: (1) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack (a) by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces; or (b) by military, naval, or air forces; or (c) by an agent of any such government, power, authority or forces; (2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war; (3) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or Customs regulations, confiscation by order of any governmental or public authority, or risks of contraband or illegal transportation or trade; loss or damage under any coverage due to radioactive contamination; loss or damage to aircraft, motor vehicles, and boats and any equipment pertaining thereto.

(e) Limit of Liability.

The insurer shall not be liable for more than the amount stated in the certificate of insurance on property sold or encumbered for any one certificate holder. The insurer's limit of liability for loss or damage in the event of a partial loss is the cost to effect repair of the insured property, if the property is repairable. If the property is not repairable, the insurer will pay the cost of replacing the insured property with no deduction for depreciation. The insurer will not be liable for more than the original amount of insurance stated in the certificate of insurance. The insurer's limit of liability for a total loss shall be the original amount of insurance stated in the certificate of insurance.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.14. Benchmark Number Three: Provisions for Dual Interest Credit Property Insurance on a Closed End Loan Secured by Personal Property.

(a) When Coverage Is In Effect.

Coverage is in effect for the term of years set forth in the certificate of insurance, from 12:01 a.m. on the effective date of coverage to 12:01 a.m. on the expiration date of coverage.

(b) Coverage Provided.

The insurance covers the interest of the master policy holder and the certificate holder in personal property pledged as security for a closed end loan made by the master policy holder to the certificate holder, which property is specifically described in the security agreement.

(c) Perils Insured.

The insurance provides coverage for loss or damage caused by fire and lighting; and collision or overturn, stranding, sinking, burning, or derailment, while the insured property is in transit. Extended coverage covers loss or damage due to: windstorm, cyclone, tornado, hail, rising water, tidal wave, overflow of water, earthquake, collapse of bridges, falling objects, or explosion; riot, riot attending a strike and civil commotion; aircraft or private passenger type vehicles; smoke; flood; collapse of building; rupture, cracking, burning or freezing of plumbing, heating or air conditioning systems and domestic appliances except for water heaters; and robbery or burglary with evidence of forced entry.

(d) Exclusions.

Loss or damage due to: decay, wet or dampness, or by being marred, scratched, spotted, discolored, moldy, rusted or rotted unless the same is the direct result of a peril insured against; frost, cold weather, ice, snow or sleet; motor vehicles, land conveyances, farm equipment, aircraft or boats unless this coverage is provided; deterioration unless it results from insured perils; defective manufacturing, mechanical or electrical breakdown; the certificate holder's neglect of the property during and after any covered loss to the extent of the certificate holder's neglect; hostile or warlike action by any government or sovereign power, legal or actual, or their military authority or agent or by any armed forces; action taken by governmental authority in hindering, combating, or defending against such an occurrence; by nuclear reaction, nuclear radiation, or radioactive contamination; to all forms of money or instruments; or to television antennas and outside wiring.

(e) Limit of Liability.

The insurer's limit of liability for loss or damage in the event of a partial loss will be equal to the actual cash value of the insured property, not to exceed the cost to repair or replace the insured property with property of like kind or quality. The insurer's limit of liability in the event of a total loss will be equal to the lesser of the actual cash value of the insured property or the original amount of insurance. Coverage will not exceed the maximum limit of liability stated in the certificate of insurance.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Article 5. Benchmark Provisions for Credit Unemployment Insurance.

Section 2670.17. Benchmark Number Six: Provisions for 30-Day Retroactive Credit Unemployment Insurance on an Open End Plan of Indebtedness, and Paying Minimum Monthly Payment.

(a) When Coverage Is In Effect.

Coverage is in effect from the time the certificate holder's account has a balance and continues as long as there is an open balance in the account(s). Insurance coverage will cease

when the certificate holder's account does not reflect an open balance, and will be automatically reinstated when there is an open balance.

(b) Coverage Provided.

The insurance covers the interests of the master policyholder and the certificate holder in connection with purchases under an account agreement. All benefits apply to account payments and will be paid to the master policy holder to pay off or reduce the certificate holder's debt. The insurer will pay the minimum monthly payment on the certificate holder's account if he or she is unemployed for more than 30 consecutive days. After the 30-day waiting period benefits will be paid retroactively to the first day of unemployment and while the unemployment continues.

(c) Perils Insured.

The insurer will pay benefits for loss of the certificate holder's employment income resulting from involuntary loss of employment, or unemployment due to labor disputes, strikes, or lockouts.

(d) Exclusions.

Coverage will not apply to loss of income due to retirement or disability. Coverage will not apply to purchases made while the certificate holder is receiving benefits under his or her certificate.

(e) Limit of Liability.

The insurance covers the interest of the master policy holder and the certificate holder up to the maximum(s) stated in the certificate of insurance. Coverage for any one account will be limited to the maximum amount per account as stated in the certificate of insurance. If the certificate holder has more than one account, the maximum limit stated in the certificate of insurance applies, and the total insurance provided under all of a certificate holder's accounts cannot exceed this amount.

(f) Eligibility.

To be eligible for loss of employment income benefits, as of the effective date of the certificate the certificate holder must be insured under the plan and gainfully employed on a full-time basis in a nonseasonal occupation. To receive loss of employment income benefits, the certificate holder must verify that he or she registered with his or her state's unemployment office or a recognized employment agency. Registration must begin within 15 days after the date of involuntary unemployment and continue for the entire period of the claim. Coverage will not be denied if the certificate holder does not qualify because his or her former employer was not required to contribute to the state unemployment fund. A certificate holder will be reeligible for unemployment benefits after the completion of payments under a loss of employment claim if he or she has been gainfully employed on a full-time basis in a nonseasonal occupation for a period of 30 consecutive days.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. *Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.18. Benchmark Number Seven: Provisions for 30-Day Non-Retroactive Credit Unemployment Insurance on an Open End Plan of Indebtedness, and Paying Minimum Monthly Payment for Six Months.

(a) When Coverage Is In Effect.

Coverage is in effect from the time the certificate holder's account has a balance and continues as long as there is an open balance in the account(s). Insurance coverage will cease when the certificate holder's account does not reflect an open balance, and will be automatically reinstated when there is an open balance.

(b) Coverage Provided.

The insurance covers the interests of the master policyholder and the certificate holder in connection with purchases under an account agreement. All benefits apply to account payments and will be paid to the master policyholder to pay off or reduce the certificate holder's debt. The insurer will pay the minimum monthly payment on the certificate holder's account if he or she is unemployed for more than 30 consecutive days. After the 30-day waiting period, benefits will be paid beginning on the 31st day, and while the unemployment continues, up to a maximum of six months.

(c) Perils Insured.

The insurer will pay benefits for loss of the certificate holder's employment income resulting from involuntary loss of employment, or unemployment due to labor disputes, strikes, or lockouts.

(d) Exclusions.

Coverage will not apply to loss of income due to retirement. Coverage will not apply to purchases made while the certificate holder is receiving benefits under his or her certificate.

(e) Limit of Liability.

The insurance covers the interest of the master policyholder and the certificate holder up to the maximum(s) stated in the certificate of insurance. Coverage for any one account will be limited to the maximum amount per account as stated in the certificate of insurance. If the certificate holder has more than one account, the maximum limit stated in the certificate of insurance applies, and the total insurance provided under all of a certificate holder's accounts cannot exceed this amount.

(f) Eligibility.

To be eligible for loss of employment income benefits, as of the effective date of the certificate the certificate holder must be insured under the plan and gainfully employed on a full-time basis in a nonseasonal occupation. To receive loss of employment income benefits, the certificate holder must verify that he or she registered with his or her state's unemployment office or a recognized employment agency. Registration must begin within 15 days after the date of involuntary unemployment and continue for the entire period of the claim. Coverage will not be denied if the certificate holder does not qualify because his or her former employer was not required to contribute to the state unemployment fund. A certificate holder will be reeligible for unemployment benefits after the completion of payments under a loss of employment claim if he or she has been gainfully employed on a full-time basis in a nonseasonal occupation for a period of 30 consecutive days.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th

Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.19. Benchmark Number Eight: Provisions for 30-Day Retroactive Credit Unemployment Insurance on an Installment Loan Plan of Indebtedness, Paying Monthly Payment on Installment Loan Up to Twelve Monthly Payments.

(a) When Coverage Is In Effect.

Coverage is in effect for the term of years set forth in the certificate of insurance, from 12:01 a.m. on the effective date of coverage to 12:01 a.m. on the expiration date of coverage. (b) Coverage Provided.

The insurer will pay loss payment benefits to the master policyholder for the benefit of the certificate holder's account on a loan agreement or sales contract between the certificate holder and the master policyholder. The loan agreement or sales contract must provide for equal monthly installment payments or loans with a variable interest feature, or loans with a balloon payment. For loans with a variable interest rate of loans with a balloon payment the monthly benefit will not exceed the original monthly payment amount. The balloon payment is not covered. The insurer will pay the certificate holder's scheduled monthly payment on the loan agreement or sales contract if the certificate holder is involuntarily unemployed for at least 30 consecutive days. After the 30-day waiting period the insurer will pay the scheduled monthly payment retroactively to the first day of unemployment and while the unemployment continues. The scheduled monthly payment on the certificate holder's indebtedness must be at least 30 days delinquent for coverage to begin.

(c) Perils Insured.

The insurer will pay benefits for loss of the certificate holder's employment income resulting from involuntary loss of employment, or unemployment due to labor disputes, strikes, or lockouts.

(d) Exclusions.

Coverage does not apply to voluntary forfeiture of salary, wages, or employment income; resignation; retirement whether voluntary or mandatory; disability caused by accident, sickness, disease or pregnancy; or termination as the result of willful misconduct or criminal misconduct.

(e) Limit of Liability.

The insurer will pay the scheduled monthly benefit or an amount equal to 1/30th of the scheduled monthly benefit for each day of a period less than thirty days which the certificate holder are involuntarily unemployed. The insurer will go back to the first day of the certificate holder's eligibility to count the number of days. The total of all payments is limited to the schedule shown in the table below. If the certificate holder's loss of employment occurs during the first 60 days after inception of coverage the maximum number of payment benefits payable during that period of involuntary unemployment will be one-half of the total benefits payable as provided in the schedule.

The maximum number of monthly benefits provided shall not exceed the remaining originally scheduled total of loan payments at the time of loss. In the event that the certificate holder's loan or credit agreement is extended or modified in any manner, the insurer's liability will never be more than the total amount of monthly benefits that would have been provided without such modification or extension.

<u>Term of Loan</u>	<u>Maximum Benefits Payable for Loss After 60 Days</u>	<u>Maximum Number of Benefits Payable for Loss Within the 1st 60 days</u>
<u>1-13 months</u>	<u>4</u>	<u>2</u>
<u>14-19 months</u>	<u>5</u>	<u>2.5</u>
<u>20-25 months</u>	<u>6</u>	<u>3</u>
<u>26-31 months</u>	<u>7</u>	<u>3.5</u>
<u>32-37 months</u>	<u>8</u>	<u>4</u>
<u>38-43 months</u>	<u>9</u>	<u>4.5</u>
<u>44-49 months</u>	<u>10</u>	<u>5</u>
<u>50-55 months</u>	<u>11</u>	<u>5.5</u>
<u>56-61 months</u>	<u>12</u>	<u>6</u>

No more that the total monthly benefits shown above will be payable during the term of coverage. It will include all amounts paid for involuntary unemployment, whether during one or more periods of unemployment.

(f) Eligibility

To be eligible for loss of employment income benefits, as of the effective date of the certificate the certificate holder must be gainfully employed for at least 12 consecutive months except for vacation time, prior to the effective date of this coverage, except employment interruption for less than 30 consecutive days during the previous 12 month period or employment interrupted by lockout, general strike, or unionized labor dispute shall not eliminate a certificate holder from eligibility. Self-employed individuals or independent contractors or seasonal employees are not eligible for coverage. To receive loss of income benefits, the certificate holder must qualify for unemployment benefits under his or her state's unemployment laws and must register for work with his or her state employment office or a recognized employment agency within 15 days after the last day employed and remain so registered during the claim period if the loss of employment occurred as the result of either layoff or employer termination; or provide the insurer with verification of loss which occurred as the result of a general strike, unionized labor dispute or lockout from sources as determined by the insurer at the time of loss. Coverage will not be denied if the certificate holder does not qualify for state unemployment benefits because his or her former employer was not required to contribute to the state unemployment fund. Re-eligibility for remaining benefits will begin on the 1st day of unemployment if the employment period is less than 30 days. If the unemployment period is greater than 30 days, eligibility for payment will begin after the 30th day of unemployment.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.20. Benchmark Number Nine: Provisions for 30-Day Non-Retroactive Credit Unemployment Insurance on an Open End Plan of Indebtedness, and Paying Outstanding Balance Up to Policy Limit.

(a) When Coverage Is In Effect.

Coverage is in effect from the time the account has an open balance and continues as long as there is an open balance in the certificate holder's account(s). The insurance will cease when the certificate holder's account does not reflect an open balance, and will be automatically reinstated when there is an open balance.

(b) Coverage Provided.

The insurance covers the interests of the master policyholder and the certificate holder in connection with purchases under an account agreement. The insurer will pay benefits for loss of employment income of the certificate holder resulting from involuntary unemployment. The benefits payable will apply to account payments. The benefit provided will be the amount of the outstanding balance as of the date of loss, or the maximum amount per account indicated in the certificate, whichever is less. Benefits will be paid after expiration of the 30-day waiting period specified in the certificate.

(c) Perils Insured.

The insurer will pay a loss of employment income benefit if the certificate holder (1) has an involuntary loss of employment; or (2) is unemployed due to labor disputes; and (3) remains involuntarily unemployed for longer than the benefit waiting period of 30 days.

(d) Exclusions.

There is no coverage for loss of income due to retirement. Coverage will not apply to purchases made by the certificate holder during the claim period.

(e) Limit of Liability.

The insurance covers the interests of the master policyholder and the certificate holder up to the maximum(s) stated in the certificate. Coverage for any one account will be limited to the maximum amount per account as shown in the certificate. If the certificate holder has more than one account, the maximum limit shown in the certificate applies, and the total insurance provided under all of a certificate holder's accounts cannot exceed this amount.

(f) Eligibility

To be eligible for loss of employment income benefits, the certificate holder must be insured under the plan and gainfully employed on a full-time basis in a nonseasonal occupation at the time of loss. To receive loss of income benefits, the certificate holder must verify during the specified period of unemployment that he or she registered with his or her state unemployment office or a recognized employment agency. Registration must begin within 15 days after the date of involuntary unemployment and continue for the entire period of the claim. Coverage will not be denied if the certificate holder does not qualify for state unemployment benefits because his or her former employer was not required to contribute to the state unemployment fund.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Article 6. Reporting Requirements.

Section 2670.21. Annual Experience Reports.

(a) Each insurer subject to this Subchapter shall file an annual report of its credit property insurance and credit unemployment insurance experience statistics with the Commissioner no later than May 1 of the year following the calendar year reported. All annual reports of experience statistics shall be filed with the California Department of Insurance, Rate Regulation Division, Rate Specialist Bureau, 300 South Spring Street, 14th Floor, Los Angeles, California 90013.

(b) Each type of insurance as defined in this Subchapter shall be reported separately on the Credit Property Insurance Experience Report and Credit Unemployment Insurance Experience Report forms prescribed by the Commissioner. The experience report for insurance programs not defined in this Subchapter shall include brief descriptions of the coverages provided. The experience for each type of coverage shall be reported separately. The Commissioner reserves the right to require that the reports be filed in electronic media form. Each insurer shall maintain experience data on an annual basis for its business subject to this Subchapter for at least five (5) years. Experience statistics generated under conditions different from those assumed in this Subchapter shall be reported separately.

(c) Credit insurance experience generated by business issued before the effective date of this Subchapter shall be maintained and reported separately from experience generated under this Subchapter.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Section 779.36 of the California Insurance Code.

Section 2670.22. Reporting Forms.

The Credit Property Insurance Experience Report form and the Credit Unemployment Insurance Experience Report form are available as downloadable forms on the Department of Insurance web site at <http://www.insurance.ca.gov>. If the forms cannot be successfully downloaded from the web site, they may be obtained by contacting the address below:

California Department of Insurance
Rate Regulation Branch, Rate Specialist Bureau
300 South Spring Street, 14th Floor
Los Angeles, CA 90013.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Section 779.36 of the California Insurance Code.

Article 7. Effective Date and Severability.

Section 2670.23. Effective Date.

Every insurer subject to this Subchapter shall seek approval of its rates sixty (60) days after the effective date of these regulations. Credit property and credit unemployment rate filings shall be reviewed under Insurance Code Sections 779.36, 1861.01(c), 1861.05, and any other applicable law.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.

Section 2670.24. Severability.

If any provision of this Subchapter or its application to any person or circumstance is held invalid for any reason, the rest of this Subchapter shall not be affected.

NOTE: Authority cited: Sections 779.21, 779.36, 12921, and 12926 of the California Insurance Code, *Credit Insurance General Agents Association v. Payne*, 16 Cal.3d 651 (1976), and 20th Century v. Garamendi, 8 Cal.4th 216 (1994). Reference: Sections 779.36, 1861.01, and 1861.05 of the California Insurance Code.